Chapter IV

Mari Petroleum Company Limited

November 12th, 2012 is a remarkable day in the history of Mari when Mari Gas Company became Mari Petroleum Company Limited with Lieutenant General retired Raza Muhammad Khan as its first managing director. The decision to have a new identity itself was much debated and deliberated upon in the company, as change of name can be an economic marvel or a corporate suicide. The corporate identity of Mari ~~Gas~~ has been engraved and etched in the common and corporate mind, Mari is synonymous with the highest social and ethical values prevalent in the oil & gas sector today; these social and ethical values have been nurtured and instilled in Mari for over five decades.

Another proponent of the argument was the changing environment where recent discoveries of oil and condensate in Khost and Sujawal acted as a game changer and catalyst to have a more appropriate outlook; at least etymologically. In the strict sense the word 'hydrocarbon' is more appropriate as it encompass both oil and gas. However commercially the word Petroleum has more glamour to it than Gas, although petroleum in its strict sense relates to oil or liquid. In the end it was decided that word Mari would be retained and the word gas would be replaced by petroleum. Coincidentally, with this transition in name, a new state of the art head office comprising of six storeys was also commissioned; thus transition from gas to petroleum was now completed. A new logo designed by renowned artist Miss Nargis was also adopted.

Over the past half century the petroleum industry has played a significant role in national development by making large indigenous gas discoveries. These sources are supplying gas to consumption centres through 9,843 kilometres transmission networks and 71,863 kilometres of distribution system. Pakistan meets about 15% of its oil demand from local sources. Oil and Gas are major components of Pakistan's energy mix, meeting over 79% of energy needs.

This change of nomenclature proved its merits, it brought a change in everyone's outlook from the managing director right down to the company man and tool pusher. It was a repetition of history; a similar excitement was in the air in 2001, when financial freedom in exploration was granted to Mari. In 2013, the most prominent achievements were; the formation of Mari Seismic Unit department and the acquisition and commissioning of a 2500 horsepower rig. The cumulative impact of this resulted in an unprecedented rise in the shares of Mari to Rupees. 293 on 16 August 2013. The science of Seismic Exploration is in essence based on the elastic-wave phenomenon and its applications in exploring subsurface geological structures with what they contain from minerals, water, and hydrocarbon deposits. The first scientist who investigated the elastic behaviour of bodies is Galileo (1564–1642), in

the year (132 AD), the Chinese philosopher Chang Heng devised a detection instrument to detect the earthquake impulse; marking the first step in instrumental seismology.[1]

On 5 December 2015, Mari Seismic Unit (MSU) carried out a successful 3D Seismic covering an area of 1,079 square kilometres; this project generated an impressive profit of Rs. 730 million. [2] This seismic data provided a new insight into the subsurface formations and led to the drilling of four wells during the year 2016-17 in SML and SUL Formations. This maiden success acted as a catalyst and in the next year 528 square kilometres of area in Sujawal Block was completed well in advance, by doing so the crew of MSU set a national level record of production by having 1014 shots in a single day. Main and important achievement of MSU is in carrying out work in high threat risk areas of KPK and Baluchistan. These areas are generally perceived to have high reserves of gas with high ratio of success, but majority of E&P companies avoid working in these areas due to the hostile security situation. As a result of aggressive exploration strategy, nine wells were planned for 2016-17, out of which, eight wells were drilled. Tipu-1 Exploratory Well in Mari D&P lease was spud-in on 5 July 2017 to test the hydrocarbon potential of Lower Goru B & Massive Sands, SML and Sembar Formation down to the depth of 3,950 meters.

Mari due to its longstanding tradition continued its un-interrupted gas supply to all its customers during the year 2016-17. A cumulative 231,147 MMSCF of gas at a daily average of 633 MMSCF and 16,149 bbl of condensate (44 bbl/d) were produced from Mari Field during the year. In addition, 461,771 bbl of crude oil (1,265 bbl/d), 76,161 bbl of condensate (209 bbl/d), 12,688 MMSCF of gas (35 MMSCF per day) and 20 metric ton of LPG (0.05 metric ton per day) was produced and sold from joint ventures during the year,

Mari's customers include Engro Fertilizer, Fauji Fertilizer, Fatima Fertilizer, Foundation Power Daharki Central Power Generation, Sui Northern Gas Pipelines, Sui Southern Gas, Attock Refinery, National Refinery, Pakistan Refinery, Pak Arab Refinery , Western Power, Petrosin CNG (Private) and Foundation Gas. Mari achieved its highest ever production of 746.50 MMSCF of gas on 26 June, 2017. Average daily production from HRL reservoirs remained 573 MMSCFD during the financial year 2016-17.

Primarily, Mari is an exploration and production company in the upstream segment of the petroleum industry. Mari's mission is to enhance exploration and production by breakthroughs in knowledge and technical innovations with an aim to maximise revenues and return to the shareholders whilst maintaining highest standards of health, safety and environment. Apart from natural gas, it also produces crude oil, condensate and liquid petroleum gas, however all products of the Mari are generic and supplied to downstream customers without any brand name.

Mari is a transparent company where all financial transactions are accurately reflected in

[1] Hamad Alsadi *Seismic Hydrocarbon Exploration* (Springer Switzerland,2011).pp,2-14.

[2] Mari Annual report 2016, p-40.

the annual reports and Mari has won many national awards on its annual report. Mari as a principle and policy remains aloof of the politics , **'Company shall not make payments or other contributions to political parties and organisations.** Oil and gas industry by nature is a risky business as it is subject to international geopolitics with a resultant swing in oil prices as happened in 2015; thus diversification in associated activities offers to lessen the risk. Mari is now entering into the Mari X development project to extend the plateau period of Habib Rahi Limestone reservoir. By end of August 2018, three new wells out of planned 19 wells had been drilled and connected into the system.

Mari Gas Field alone generates 95 % of the company's production and generate 89% of its revenues. It is the greatest source of income for MPCL as well as its Achilles Heel. To counter the overall dependence on a single field which is naturally bound to deplete with passage of time, Mari has increased its budget of exploration from USD $ 249M to USD$ 371M.

The 22nd of January 2018, is a historic day as Honourable Prime Minster Shahid Khaqan Abbassi visited Mari Headquarters, becoming the first ever Prime Minister of Pakistan to be a guest at Mari. He came to attend a presentation given by PPEPCA. In eighties the leading oil and gas companies in Pakistan including Mari made an effort to have a joint and uniform forum to debate over the oil and gas exploration and production related issues. In 1988 it was originally conceived under the name and style of Pakistan Exploration and Production Companies Advisory Committee (PEPCAC) as a representative body of local and foreign companies engaged in exploration and production of petroleum. Its establishment is an important landmark in the history of petroleum industry of Pakistan. PPEPCA was the culmination of endeavours, spread over a long period, of five private sector companies namely; Mari Gas, Oxy, POL, PPL, UTP and OGDCL a public sector company. In May 1995, the organization was converted into a company, limited by guarantee, without any share capital, through the blessing of Ministry of Petroleum & Natural Resources under the new title of 'Pakistan Petroleum Exploration and Production Companies Association.[3]

2018 is a landmark year in many other aspects apart from the prime minister's maiden visit , Mari successfully negotiated with other E&P companies to acquire working interests in Bannu West, Block-28, Kalchas, Kohat, Ghauri, Bela West and Sukkur Blocks. In September 2018, Mari made a landmark crude oil discovery in Ziarat Block near Quetta. The important aspect of this discovery is that this is the first ever oil discovery in Chiltan and Moro/MughalKot formations in Balochistan Province. Mari discovered substantial new gas reserves at exploratory well Tipu-1, unlocked upside potential at Bhittai-5 appraisal well and also completed Azadi-1 development well, all in Mari D&P lease area. For financial year 2017-18, Mari paid highest ever dividend of 60%. In addition to the handsome dividend, it also issued 10% Bonus Shares to its shareholders. No wonder ~~then~~ that Mari enjoys unprecedented confidence of the investors with highest share price in listed petroleum companies from all streams and current market capitalization of over Rupees. 160 Billion.

[3] Official web site of PPEPCA https://www.ppepca.com/aboutppepca.html

Plimsoll, a UK based leading analyst firm, has recently issued their latest report containing the financial analysis of 330 companies of the world based on their published annual accounts. They have ranked Mari as 29th most profitable Company.

Due to the security concerns few international E&P companies like OMV left the arena, whereas Eni, MOL, KUFPEC continue to operate. Mari has been making efforts to be a vanguard in the initiation of much needed exploration in the once troubled frontier political agencies. In the larger national interest, despite security and terrain related challenges, Mari aggressively undertook 3D seismic data acquisition in North Waziristan area of FATA with a plan to drill an exploratory well by end of 2019. Preparations are also underway to start work in Block-28 in Balochistan, where activities are on halt since long due to security reasons.

Mari- 2019 and Beyond.

3 January 2019, a Historic Day

Thursday 3 January 2019 stands out as a historic and memorable day in the history of Mari Petroleum Company Limited, Chief of Army Staff General Qamar Javed Bajwa Nishan-e-Imtiaz (Military) Hilal-e-Imtiaz (Military) visited Mari's headquarters, it is the first ever visit of an army chief in the history of company. On arrival he was received by the Managing Director Lieutenant General (retired) Ishfaq Nadeem and was given a detailed briefing. General Bajwa was apprised on the magnificent growth that Mari has attained over the decades, '*We are now a Billion Dollar company , having second largest gas reserves in Pakistan, with 130 producing wells . The role of Mari in ensuring the food security of the country was also highlighted , the fact that nineteen new wells are being drilled is a testimony to the efforts. MD with pride informed that Mari has been declared the best company in corporate sector for last three years in succession. MD also highlighted the contribution Mari is making in improving the quality of life in the area of operations in which so far over 1.3 Billion rupees have been spent so far on the health and education*.'

General Qamar Bajwa listened with keen interest and appreciated the efforts and contributions of Mari towards national economy especially its plans for diversifying ~~the~~ business and for contributing back to the country. He acclaimed the leadership of Mari and its team for their unremitting and persistent efforts to meet the energy and food security challenges of Pakistan by providing uninterrupted gas supply in last five decades. General Qamar Bajwa hails from a Jat family in Ghakkar and as such is very familiar with the impact of fertilizers in improving the everyday life of farmers. He also shared his memories when the fertilizers were first introduced in the agriculture and how farmers were reluctant to use it and now the perspective has change and at present without fertilizers the farmer is handicapped.

In 2019, Mari is managing the largest gas reserves of Pakistan at Daharki in Sindh, currently having 18% share of total natural gas in Pakistan. The current production is

equivalent to115, 505, 000 bbl/d. Mari's exploration success rate is 70% which is the highest amongst all companies working in the Pakistan, whereas the average industry success rate is around 33%. At present, there are 29 E&P companies in country amongst which 11 are local.[4] Mari also has the lowest operational cost of 10% of its gross sales. Mari is listed on Pakistan Stock Exchange with a market capital of around 170 Billion Rupees (1.2 US $ Billion). On 30 January 2018, the highest ever output of 770 million gas cubic feet was achieved and throughout the year a daily average of 713 million cubic feet was maintained. This enabled Mari to post an increase in profit after paying taxes of 68.28%(Rs. 15.4 Billions). Mari crossed the Rs. 100 Billion mark in that year and shareholders dividend increased to 60 %.

Effective management of risks is a fundamental component of good corporate governance and is vital for the Mari's continued growth and success. Mari in 2018-19 hired the services of I-Risk Group, a UK based International Risk Consultancy Firm to review existing risk management practices, and impart necessary trainings to its staff. The consultants have completed their assignment and the Project is now in implementation phase in the light of improvement road map agreed with the consultants.

Mari is now looking at international market ~~field~~, ~~in~~ Exploration and Production, it has signed memorandum of understanding with MOL Group of Hungry, Kuwait Foreign Petroleum Exploration Company and Polish Oil and Gas Company. The American IPR Energy Resources and Tullow have shown interest in bidding jointly with Mari for certain international blocks.

Mari continues to play a pivotal role in ensuring the food and energy security of the Country. Not only is the gas supplied from Mari Field ~~is~~ utilized for producing more than 80% urea in the Country, but cumulative daily production of around 100,000 barrels of oil equivalent helps Government save precious foreign exchange worth billions of rupees every year. In this regard, the importance and critical role of Mari Gas Field cannot be over-emphasized. Mari Field has had uninterrupted production for over 50 years. The production was projected to start declining from 2019 onwards. To avert such a situation, immediate intervention was needed. Mari undertook an exhaustive in-house reservoir simulation study, and came up with a plan to drill additional development wells, along with undertaking debottlenecking and up gradation of gathering and production facilities at a substantial investment of **US$ 100 million**. Successful completion of this project would extend Mari production plateau by an additional 4-5 years, so far 13 out of 19 wells have been completed, and the results are in line with forecasts.

Mari Petroleum Company Limited (MPCL) is presently operating seven (07) oil & gas/condensate fields which are Mari Field, Daharki, Zarghun Gas & Condensate Field, Sujawal Gas & Condensate Field, Koonj Gas field, Ghauri Oil Field, Halini Oil Field and

4 Mari Petroleum Company Annual report 2018.

Kalabagh Gas & Condensate Field in all four provinces of Pakistan. Daily gas production of MPCL from its operated fields stands at around 680 MMSCFD of gas & 2400 Bbls of oil/condensate per day.[5]

Mari Petroleum takes great pride in its successful operations spread across the country, and for being the operator of the country's largest gas reservoir in terms of balance reserves of 5.1 TCF at Mari Field, Daharki. With the highest exploration success rate of around 70%, Mari have been providing uninterrupted gas supply from Mari Field for over five decades. Due to efficient operating methodology and proficient management, for the first time in the history of the company, Gross Sales exceeded Rupees. 100 billion mark during the recently concluded financial year. Profit-After-Tax also recorded a substantial increase of 68%, jumping from Rupees. 9 billion to Rupees. 15 billion. Mari also maintained its distinction of being the most cost effective E&P Company in the country, with operating expenses at less than 10% of the gross sales, and the lowest cost per barrel of production. At Mari, whatever is done is as much dictated by National Interests as by commercial considerations.

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Laurels and Awards

MPCL participated in the **11th National Forum for Environment & Health (NFEH) CSR Awards 2019**, held at Serena Hotel Islamabad on 24 January 2019. The event was graced by the President of Pakistan, Dr. Arif Alvi as the Chief Guest and President AJK Sardar Masood Khan, as the Guest of Honour, who also distributed the Awards. MPCL won three prestigious Awards. **Best CSR & Sustainability Award 2017-18**. The Award was received by Brigadier Shaheryar Khan (R), SI (M) – General Manager (Administration & Security). Sports initiatives recently undertaken by MPCL have been recognized at the Awards. **Sports & Recreational Activities Award** was received by Brigadier Saleem Nawaz (R) – Senior Consultant (Sports). The only other company to receive this Award was National Bank of Pakistan. MPCL secured **Advanced Level** in the ISO 26000 CSR Assessment in 2017. The only Company to have achieved this milestone. Thus, the **Best CSR Practices** Award was conferred to MPCL for this feat, which was received by Mr. Usman Aslam – Senior Sustainability & CSR Specialist. It is worth noting that MPCL was the only organization to secure these many awards at the Event. MPCL being the major sponsor of the event received the **Sponsorship Shield**, which was presented by the President of Pakistan to Mr. Assad Rabbani – General Manager Corporate Affairs. The Awards received, demonstrate Mari's resolve and commitment in improving the lives of marginalized communities.

[5] http://fauji.org.pk/test/mari-petroleum-company-limited

At the "14th EFP Best Practices Awards on Occupational Safety and Heath" ceremony, organized by the Employers' Federation of Pakistan on April 26, 2019 at Marriot Hotel Karachi. Mr. Shafqat Mehmood, Federal Minster for Education and Professional Training was the Chief Guest at the Event which was attended by a large number of dignitaries from the corporate world. Mari has won several sector specific awards in the past for its HSE practices. However, this year, Mari has bagged **Overall Platinum Award** which is the highest award in overall category. MPCL was declared winner on the basis of a transparent evaluation of nomination papers submitted by all the participating companies. The evaluation was carried out by an independent jury.

Mari won two prestigious awards, **"Prime Minister's Award for Corporate Excellence"** and **"Fastest Growing Company of the Year Award"** at 32nd Rawalpindi Chamber of Commerce and Industry (RCCI) International Achievement Awards 2019. The awards were conferred by **His Excellency Dr. Mahathir bin Mohamad, Prime Minister of Malaysia**, at an impressive ceremony held on July 09, 2019, in Kuala Lumpur, Malaysia. MPCL was the only Company to have received **"Prime Minister's Award for Corporate Excellence"** which was the highest category award.

In May 2019 , this all transformed into a fact when MPCL for the first time in its history was included in top 25 companies on Pakistan Stock Exchange, it was placed at No.16 Position for the year 2017.[6]

[6] https://mpcl.com.pk/2019/05/23/top-25-companies-on-pakistan-stock-exchange-for-the-year-2017/